



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**SOMERSET TOWNSHIP  
BELMONT COUNTY**

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**STATE OF OHIO  
OFFICE OF THE AUDITOR**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Somerset Township  
Belmont County  
56783 Somerton Highway  
Barnesville, Ohio 43713

To the Board of Trustees:

We have audited the accompanying financial statements of Somerset Township, Belmont County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Somerset Township, Belmont County, as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2002, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

**Jim Petro**  
Auditor of State

July 10, 2002

**SOMERSET TOWNSHIP  
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>					<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>						
Local Taxes	\$19,277	\$30,430	\$5,000	\$	\$	\$54,707
Intergovernmental	72,637	72,622		23,466		168,725
Earnings on Investments	110	220			178	508
Other Revenue	1,961	2,292			1,000	5,253
<b>Total Cash Receipts</b>	<u>93,985</u>	<u>105,564</u>	<u>5,000</u>	<u>23,466</u>	<u>1,178</u>	<u>229,193</u>
<b>Cash Disbursements:</b>						
Current:						
General Government	40,769	8,640				49,409
Public Works	16,798	120,230				137,028
Health	1,700					1,700
Debt Service:						
Redemption of Principal	6,581					6,581
Interest and Fiscal Charges	1,120					1,120
Capital Outlay	33,917	165		23,466		57,548
<b>Total Cash Disbursements</b>	<u>100,885</u>	<u>129,035</u>	<u>0</u>	<u>23,466</u>	<u>0</u>	<u>253,386</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>(6,900)</u>	<u>(23,471)</u>	<u>5,000</u>	<u>0</u>	<u>1,178</u>	<u>(24,193)</u>
<b>Other Financing Receipts:</b>						
Proceeds from Sale of Public Debt:						
Sale of Notes	8,000	28,000	0	0	0	36,000
<b>Total Other Financing Receipts</b>	<u>8,000</u>	<u>28,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>36,000</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	1,100	4,529	5,000	0	1,178	11,807
Fund Cash Balances, January 1	10,418	3,595	1,503	0	5,621	21,137
<b>Fund Cash Balances, December 31</b>	<u><b>\$11,518</b></u>	<u><b>\$8,124</b></u>	<u><b>\$6,503</b></u>	<u><b>\$0</b></u>	<u><b>\$6,799</b></u>	<u><b>\$32,944</b></u>

*The notes to the financial statements are an integral part of this statement.*

**SOMERSET TOWNSHIP  
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$16,295	\$16,672	\$13,593	\$	\$46,560
Intergovernmental	100,371	72,701			173,072
Earnings on Investments	86	172		228	486
Other Revenue	6,254	984	16		7,254
	<u>123,006</u>	<u>90,529</u>	<u>13,609</u>	<u>228</u>	<u>227,372</u>
<b>Total Cash Receipts</b>					
<b>Cash Disbursements:</b>					
Current:					
General Government	42,557	9,310			51,867
Public Works		82,380			82,380
Health	6,840				6,840
Conservation - Recreation	45,119				45,119
Debt Service:					
Redemption of Principal	5,000		11,401		16,401
Interest and Fiscal Charges			705		705
Capital Outlay	13,129				13,129
	<u>112,645</u>	<u>91,690</u>	<u>12,106</u>	<u>0</u>	<u>216,441</u>
<b>Total Cash Disbursements</b>					
Total Cash Receipts Over/(Under) Cash Disbursements	<u>10,361</u>	<u>(1,161)</u>	<u>1,503</u>	<u>228</u>	<u>10,931</u>
Fund Cash Balances, January 1	<u>57</u>	<u>4,756</u>	<u>0</u>	<u>5,393</u>	<u>10,206</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$10,418</b></u>	<u><b>\$3,595</b></u>	<u><b>\$1,503</b></u>	<u><b>\$5,621</b></u>	<u><b>\$21,137</b></u>

*The notes to the financial statements are an integral part of this statement.*



**SOMERSET TOWNSHIP  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Somerset Township, Belmont County (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Somerset Volunteer Fire Department to provide fire services.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash**

Certificates of deposit are valued at cost.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash that is restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

*Road and Bridge Fund* - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

*Gasoline Tax Fund* - This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.

**SOMERSET TOWNSHIP  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

*Motor Vehicle License Tax Fund* - This fund receives motor vehicle license tax money for constructing, maintaining and repairing Township roads.

**3. Debt Service Fund**

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Fund:

*Note Retirement Fund* - This fund receives road and bridge tax levy money to pay principal and interest on the Township's outstanding note issue.

**4. Capital Projects Fund**

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Projects Fund:

*Issue II Fund* - The Township received a grant from the State of Ohio through the Belmont County Engineer to repair Township roads.

**5. Fiduciary Funds (Trust Funds)**

These funds are used to account for resources restricted by legally binding trust agreements. The Township had the following significant Fiduciary Funds:

*Union Cemetery Bequest Fund* - The Township receives interest from principal that is invested in certificates of deposit and savings accounts. The interest is used to pay for the maintenance and upkeep of the cemetery.

*Harmony Cemetery Bequest Fund* - The Township receives interest from principal that is invested in certificates of deposit and savings accounts. The interest is used to pay for the maintenance and upkeep of the cemetery.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**SOMERSET TOWNSHIP  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

**2. EQUITY IN POOLED CASH**

The Township maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

	<u>2001</u>	<u>2000</u>
Demand deposits	\$28,746	\$16,939
Certificates of deposit	4,198	4,198
Total deposits	<u>\$32,944</u>	<u>\$21,137</u>

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2001 and 2000, follows:

**SOMERSET TOWNSHIP  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$91,007	\$101,985	\$10,978
Special Revenue	113,086	133,564	20,478
Debt Service	13,593	5,000	(8,593)
Capital Projects	0	23,466	23,466
Fiduciary	0	1,178	1,178
Total	<u>\$217,686</u>	<u>\$265,193</u>	<u>\$47,507</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$112,432	\$100,885	\$11,547
Special Revenue	137,146	129,035	8,111
Debt Service	15,096	0	15,096
Capital Projects	0	23,466	(23,466)
Total	<u>\$264,674</u>	<u>\$253,386</u>	<u>\$11,288</u>

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$109,700	\$123,006	\$13,306
Special Revenue	83,710	90,529	6,819
Debt Service	13,593	13,609	16
Fiduciary	0	228	228
Total	<u>\$207,003</u>	<u>\$227,372</u>	<u>\$20,369</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$122,919	\$112,645	\$10,274
Special Revenue	95,315	91,690	3,625
Debt Service	13,609	12,106	1,503
Total	<u>\$231,843</u>	<u>\$216,441</u>	<u>\$15,402</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Issue II, Capital Projects Fund by \$23,466 for the year ended December 31, 2001. This was the result of an audit adjustment to record Issue II monies received and disbursed on behalf of the Township.

**SOMERSET TOWNSHIP  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

Contrary to Ohio law, at December 31, 2001 and 2000, the General Fund, Motor Vehicle License Tax Fund, Gasoline Tax Fund, Road and Bridge Fund and the Fire Levy Fund had appropriations which exceeded estimated resources.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**5. DEBT**

Debt outstanding at December 31, 2001, was as follows:

	Principal	Interest Rate
General Obligation Note	\$21,437	7.680%
General Obligation Note	8,000	4.125%
Total	\$29,437	

The general obligation note was issued to finance the purchase of a used grader to be used for Township road maintenance. The note is collateralized solely by the Township's taxing authority.

The general obligation note was issued to finance the down payment on a grant. The note is collateralized solely by the Township's taxing authority.

Amortization of the above debt, including interest, is scheduled as follows:

	General Obligation Notes
Year ending December 31:	
2002	\$23,489
2003	7,368
Total	\$30,857

**SOMERSET TOWNSHIP  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**6. RETIREMENT SYSTEMS**

The Township's officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

**7. RISK MANAGEMENT**

**Risk Pool Membership**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, which the General Reinsurance Corporation will reinsure.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**SOMERSET TOWNSHIP  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and report the following assets, liabilities and retained earnings at December 31, 2001 and 2000 (the latest information available):

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	<u>9,379,003</u>	<u>8,924,977</u>
Retained earnings	<u>\$14,324,773</u>	<u>\$13,759,406</u>

<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$5,011,131	\$4,156,784
Liabilities	<u>647,667</u>	<u>497,831</u>
Retained earnings	<u>\$4,363,464</u>	<u>\$3,658,953</u>

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**STATE OF OHIO  
OFFICE OF THE AUDITOR**

**JIM PETRO, AUDITOR OF STATE**

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Somerset Township  
Belmont County  
56783 Somerton Highway  
Barnesville, Ohio 43713

To the Board of Trustees:

We have audited the accompanying financial statements of Somerset Township, Belmont County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated July 10, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2001-41007-001 through 2001-41007-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated July 10, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2001-41007-005 and 2001-41007-006.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated July 10, 2002.

This report is intended solely for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

July 10, 2002

**SOMERSET TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2001-41007-001**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.09 states that each subdivision is required to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

Also, Auditor of State Bulletin 2002-004 and Auditor of State Bulletin 2000-008 requires all local governments participating in Issue II projects through the Ohio Public Works Commission to establish an Issue II, Capital Projects Fund, to account for Issue II monies anticipated to be received. The fund appropriations should also include the amount necessary to meet the obligations to be incurred during the fiscal year.

The Township received/expended Issue II monies in the amount of \$23,466 and did not establish an Issue II, Capital Projects Fund, to account for these receipts and expenditures nor did they obtain an amended certificate and a supplemental appropriation, pursuant to Ohio Rev. Code Sections 5705.36 and 5705.40. This caused the Township's 2001 Capital Projects Fund receipts and expenditures to be understated by the amount of the Issue II funds. The audited financial statements were adjusted to reflect Issue II receipts and expenditures.

We recommend the Township establish an Issue II, Capital Projects Fund, to account for Issue II monies and to obtain an amended certificate and supplemental appropriations for the same. The Clerk should refer to Auditor of State Bulletin 2002-004 and Auditor of State Bulletin 2000-08 for additional guidance in accounting for on-behalf-of grants with the County or State.

**FINDING NUMBER 2001-41007-002**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.39 provides that appropriations from each fund shall not exceed the estimated revenue plus unencumbered balances available for expenditure as certified by the County Budget Commission.

The following funds had appropriations in excess of estimated revenue:

At December 31, 2001, appropriations exceeded estimated resources in the following funds by the following amounts: General Fund, \$11,006; Motor Vehicle License Tax Fund, \$3,232; Gasoline Tax Fund, \$2,536; Road and Bridge Fund, \$13,364; and Fire Levy Fund, \$1,333.

At December 31, 2000, appropriations exceeded estimated resources in the following funds by the following amounts: General Fund, \$13,160; Motor Vehicle License Tax Fund, \$3,601; Gasoline Tax Fund, \$1,152; Road and Bridge Fund, \$1,065; and Fire Levy Fund, \$1,031.

We recommend the Township Clerk periodically monitor estimated resources and appropriations to ensure appropriations do not exceed estimated resources.

**SOMERSET TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2001-41007-003**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated.

Due to the audit adjustments described in Finding 2001-41007-001, at December 31, 2001, the Township's Issue II Fund had expenditures which exceeded appropriations as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>	
	\$0	\$23,466	(\$23,466)	

We recommend the Township ensure that on-behalf-of grants are recorded on the Township's financial records and to monitor budget versus actual statements to ensure expenditures do not exceed appropriations.

**FINDING NUMBER 2001-41007-004**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund, free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon. This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate - This exception provides that, if the fiscal officer can certify that both at the time the contract or order was made and at the time that she is completing her certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Board of Trustees.

All of the obligations paid by the Township had a statement attached indicating the purchase was lawfully appropriated or in the process of collection to the credit of the appropriate fund, free from any previous encumbrance; however, this certification was not always prior to incurring the obligation for 43% of transactions tested. Also, the Township did not execute a "then and now" certificate for these expenditures not properly certified.

**SOMERSET TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2001-41007-004  
(Continued)**

**Noncompliance Citation (Continued)**

**Ohio Rev. Code Section 5705.41(D) (Continued)**

We recommend the Township ensure that all expenditures are properly encumbered at the time the obligation is incurred and if prior certification is not possible that they utilize the "then and now" certificate option.

**FINDING NUMBER 2001-41007-005**

**Reportable Condition - Posting of Receipts and Disbursements**

Receipts and disbursements should be posted to the fund and line item accounts as established by the Ohio Administrative Code.

Note proceeds, an Ohio Department of Natural Resources grant and note principal and interest payments were not posted into the correct receipt or appropriation classification, based on the source of receipt and nature of disbursement. As a result, reclassifications to the financial statements were necessary.

We recommend the Township Clerk consult the Ohio Administrative Code when monies are received and disbursed, to help ensure these transactions are posted to the correct receipt and appropriation classifications.

**FINDING NUMBER 2001-41007-006**

**Reportable Condition - Posting Estimated Receipts**

Estimated receipts, as approved by the County Budget Commission, should be entered into the Township's computer system.

Estimated receipts as approved by the County Budget Commission were not accurately reflected in the Township's computer system. This caused estimated receipts to be overstated or understated, resulting in audit adjustments to the budgetary schedules presented in the notes to the financial statements and appropriations exceeding estimated resources (see Finding 2001-41007-002). This condition also resulted in not providing management with an accurate monitoring tool throughout the year.

We recommend the Clerk post estimated receipts and any amendments to the computer system, as approved by the County Budget Commission.

**SOMERSET TOWNSHIP  
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain:</b></i>
1999-41007-001	Ohio Rev. Code Section 5705.41(B) - no subdivision shall make expenditures unless they have been appropriated.	No	Reissued as finding number 2001-41007-003.
1999-41007-002	Ohio Rev. Code Section 5705.39 - appropriations in excess of estimated resources.	No	Reissued as finding number 2001-41007-002.
1999-41007-003	Ohio Admin. Code 117-3-09 (B) - requires estimated receipts to be posted to the account as specified by the County Budget Commission.	No	Reissued as finding number 2001-41007-006.
1999-41007-004	Accounting for On-Behalf-of-Grants – The Township received Issue II monies and did not record the receipts and expenditures on its ledgers.	No	Reissued as finding number 2001-41007-001.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**SOMERSET TOWNSHIP**

**BELMONT COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 27, 2002**